

VZCZCXRO1057
PP RUEHBZ RUEH DU RUEHMR RUEHPA RUEHRN RUEHTRO
DE RUEHYD #0147/01 0440659
ZNY CCCCC ZZH
P 130659Z FEB 09
FM AMEMBASSY YAOUNDE
TO RUEHC/SECSTATE WASHDC PRIORITY 9695
INFO RUEHZO/AFRICAN UNION COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 YAOUNDE 000147

SIPDIS

STATE FOR AF/C AND EEB
PARIS FOR ROBERT KANEDA AND GREG D'ELIA
LONDON FOR PETER LORD
TREASURY FOR FRANCOIS BOYE

E.O. 12958: DECL: 02/14/2019
TAGS: [EFIN](#) [ECON](#) [ETRD](#) [KCOR](#) [ECIN](#) [PINR](#) [GB](#) [CM](#)
SUBJECT: CENTRAL AFRICAN BANK READY FOR CRISIS, ROCKED BY
SCANDAL

REF: LIBREVILLE 47

Classified By: Political/Economic Officer Tad Brown for Reasons 1.4 b a
nd d.

11. (C) Summary. The member governments of the Economic and Monetary Union of Central Africa (CEMAC) are well-prepared to weather the fallout from the global financial crisis, but the socio-economic impact of slower economic growth is harder to predict, according to Rigobert Roger Andeley, a Congolese national and Deputy Governor of the Bank of Central African States (BEAC). Econoffs met with Andeley on February 4 to discuss the outcome of a January 30 extraordinary meeting of the CEMAC Heads of State in Libreville, which focused on a controversial (and costly) placement of BEAC assets in a French commercial bank. According to Andeley and media reports, BEAC Governor Philibert Andzembe, a Gabonese national, placed 500 million euro (about \$640 million) with the Societe Generale des Banques (SCB) under suspicious conditions, contrary to BEAC,s statutes and without the approval of BEAC,s governing institutions. BEAC only lost 25 million euro (about \$32 million) when the deal went bad, but the scandal has exacerbated already strained relations between Gabonese President Bongo and other BEAC Heads of State. End summary.

CEMAC Will Weather Financial Crisis

12. (C) According to Andeley, BEAC is "comfortable" that the six CEMAC governments (Cameroon, Chad, Central African Republic, Gabon, Equatorial Guinea and Republic of Congo) are well-prepared to weather the impact of the global financial crisis. Compared to the circumstances of previous economic crises in 1985 and 1990 (which wreaked havoc on CEMAC economies), the region has been running budget surpluses in recent years, and reserves are sufficient to cover coming budget shortfalls for two to three years, even if oil remains at \$40 per barrel. Andeley estimated current national reserves as:

--Equatorial Guinea: \$4 billion
--Congo Brazzaville: \$2 billion
--Cameroon: \$2 billion
--Gabon: \$1.5 billion
--Chad: \$200,000,000
--CAR: Negligible.

13. (C) CAR,s situation will continue to be difficult, Andeley predicted, but Equatorial Guinea will experience the biggest shock if low oil prices continue. He noted that EG has the region's most ambitious investment program (everything from roads to stadiums) and does not have the budget discipline that an IMF program would require. With

the region's most diversified economy, Cameroon, by contrast, is better prepared than the others to withstand the pressures of low oil prices, he said.

But the Economy is Another Matter

¶4. (C) Considering the economies beyond government finances, Andeley was much less sanguine. BEAC posits economic growth for the CEMAC region will fall from 5.8% in 2008 to 4.3% in ¶2009. Andeley said BEAC is worrying less about inflation because the data indicates that prices have already begun to drop and will continue to do so (especially as fuel prices are an important component of food prices). Unemployment, by contrast, remains a preoccupation, especially because already tense socio-economic pressures will be exacerbated by growing unemployment as jobs are shed.

¶5. (C) Andeley said the sectors most vulnerable to international economic trends are mining and forestry (which is particularly labor intensive). Andeley said BEAC is working with CEMAC member states to ease fiscal pressure on the forestry sector and to foster value-added industries within CEMAC, to move beyond exporting timber and towards exports of finished products. Andeley said the CEMAC governments had approved a BEAC regional economic plan that will integrate eight important road corridors in the region with financing from BEAC, France and domestic budgets. (Reftel includes further info on BEAC's plan.) Andeley cautioned that these solutions are, at best, medium term, and that the pressures from high unemployment were unlikely to ease in the short-term. Andeley said all of the region's

YAOUNDE 00000147 002 OF 003

governments suffer from an inability to be decisive (an affliction he ascribed as an "African" problem). Asked for his views on Cameroon's Kribi Port and other high-profile projects, Andeley said Cameroon suffers from the lack of decisive leadership more than any other CEMAC state.

BEAC's Scandalous Deal with SGB

¶6. (C) Andeley confirmed independent media reports that a series of recent senior meetings (among Finance Ministers in Malabo on January 20 and in Yaounde on January 26 and then among Heads of State in Libreville on January 29, per reftel) were called to address a controversial decision made by the BEAC Governor. According to Andeley, Gabonese President Omar Bongo appointed Gabonese national Philip Andzembe as BEAC Governor despite the latter's relative inexperience in high finance and unfamiliarity with BEAC as an institution. Andeley said he had been surprised to learn, four months after the fact, that Andzembe signed a contract with French bank Societe Generale des Banques (SGB) to place 500 million euros of BEAC assets at SGB under terms that Andeley said smacked of a dirty deal. Andeley said the deal was concluded in contravention of BEAC rules (which limit BEAC investments to Treasury Bonds and similarly safe investments) and governing rules (which require board approval of such placements). Andeley reported that Andzembe evaded the normal channels for such a massive transaction and implied that Andzembe's handling of the deal smacked of personal interest and woeful ignorance of high finance.

Sharks Circle at Spring World Bank Meetings?

¶7. (C) Andeley said he was certain Andzembe hatched the deal during side meetings on the margins of the annual spring meetings of the World Bank in Washington. Andeley warned Econoff, "You have to start watching what is happening on the sidelines of the spring meetings of the World Bank in Washington. The vultures descend and lie in wait for African financial officials, offering them crooked or corrupt deals. I can tell you! I saw it when I was Congo,s Finance

Minister."

The Fallout: Money, Prestige, and Regional Unity

¶18. (C) Andeley estimated that Andzembe's deal would cost BEAC about 5% of the investment, or 25 million euros, which BEAC could relatively painlessly amortize against its annual gains of 38 million euros (\$49 million). More costly than the lost wealth is the damage to BEAC's credibility as a well-governed financial institution. Andeley said the timing of the scandal was particularly embarrassing because the French Government had recently given BEAC a larger role in managing BEAC's own resources. Whereas France and CEMAC originally agreed that the French Central Bank would manage 65% of CEMAC's reserves (as part of the deal whereby France guarantees the African Financial Community Franc, or FCFA), the Government of France had recently asked BEAC to take on a larger share, 50%, of the portfolio management. Andeley reassured Emboffs that BEAC is still well managed and said the World Bank and IMF have approached BEAC to route their transactions through its books.

¶19. (C) Most importantly for the region, the scandal has undermined the trust and cooperation among CEMAC members that underpin BEAC's success. At the time of BEAC's formation, Cameroon and Gabon had the most significant reserves in the region; BEAC's headquarters were placed in Cameroon and Gabon has traditionally had the prerogative of choosing the BEAC Governor. As the region's financial balance shifted towards Equatorial Guinea and, to a lesser extent, Chad, the division of power in the bank became increasingly out of line with each country's relative investment in the bank. Press reporting after the BEAC Heads of State meeting in Ndjamena in 2007 revealed the growing tension as Obiang and Deby called for the Governorship to rotate among the six member states. According to Andeley, Bongo adamantly refused to give up his lock on the BEAC Governorship, but the scandal implicating Bongo's appointee has energized Cameroon to argue in favor of a rotating presidency as well.

¶10. (C) Andeley said the Libreville meeting was heated, with Biya and others taking a "hard" stance against Andzembe's governorship. An impasse was avoided through an

YAOUNDE 00000147 003 OF 003

agreement to audit the BEAC under Andzembe but Andeley believes the conclusion is all but certain, arguing that Andzembe has been an awful governor and that a rotating governorship would bring improved governance since each governor will expect to be audited by his successor. Andeley could not rule out the possibility that the impasse could be serious enough to threaten BEAC's continuation, believing that Bongo is unlikely to ever surrender his hold on the governorship and Obiang and others are equally unlikely to allow their assets to be managed exclusively by Bongo's nominees.

Comment: Regional Bank Drives
Regional (Dis)Integration

¶11. (C) Andeley reassured us that CEMAC budgets are well-padded against coming financial shortfalls and that BEAC, as an institution, remains well-managed. But he offered no reason to hope that the region's unemployment and macroeconomic woes would improve, raising the specter of socio-economic tensions. Most worrisome is Andeley's prediction that poor governance and feuds among CEMAC big men will undermine USG efforts to promote greater regional cooperation on security in the Gulf of Guinea and peacekeeping operations in the region. End comment.

¶12. (C) Bio note: Andeley is unabashedly pro-American. Two of his daughters attend university in the U.S. and his son resides there. His two youngest children attend the

American School in Yaounde, where Andeley also served on the board. He had already read President Obama's books in English and raved about America's capacity for national renewal and reinvention. In this and our previous conversations with Andeley, he has lived up to his reputation as exceedingly intelligent, competent and plain spoken. End bio note.

GARVEY